



MINUTES OF THE CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK

For the meeting held on
Tuesday, October 29, 2013 at 3:00 pm
980 9th Street, Conference Center, 2nd Floor
Sacramento, California 95814

Chairman Rossi called the meeting of the California Infrastructure and Economic Development Bank (I-Bank) Board to order at approximately 3:00 p.m.

1. Call To Order and Roll Call.

The following Board members were in attendance:

Michael E. Rossi, Chairman
Brian Annis, represented the Secretary of the State Transportation Agency.
Eraina Ortega, represented the Director of the Department of Finance.
Blake Fowler, represented the State Treasurer.
Peter Luchetti, Governor's appointee.

The following I-Bank staff members were in attendance:

Teveia Barnes, Ruben Rojas, and Marilyn Muñoz.

Information Item:

2. Executive Director's Report.

Executive Director Ms. Teveia Barnes gave the Executive Director's report and informed the Board of the following:

- New Small Business Finance Center and Small Business Loan Guarantee Program.

On October 4, 2013 the Governor executed the California Small Business Financial Assistance Act of 2013 (the "Act"). This action transferred the Small Business Loan Guarantee Program (SBLGP) into the newly formed Small Business Finance Center which now resides within the I-Bank. This action will allow the I-Bank to facilitate additional lending to small businesses for economic development.

Discussion

The role of the current I-Bank Governing Board as it relates to the administration and processing of loans through the SBLGP.

Response

The Act provides for an Advisory Board for the SBLGP. Further information regarding the administration of the SBLGP and the I-Bank Board's responsibilities will be reported by the Executive Director within the next 60-90 days.

- 2004 and 2005 Series Infrastructure State Revolving Fund Program Bonds.

The I-Bank is currently in the process of refunding the 2004 and 2005 Series Infrastructure State Revolving Fund Program Bonds. At this time it is anticipated that Staff may bring the refunding to the Board at the November board meeting for approval.

3. Chair of the Board Report.

Chairman Rossi proposed to have an annual review of the Executive Director's performance. The results of the performance review will determine whether the Executive Director will maintain delegated authorities. The annual performance review date is set for July 16, 2014. Moreover, a set of Goals and Objectives, agreed upon by the Executive Director and Chairman Rossi, is to be presented to the Board by the Executive Director within 60 days.

Consent Item:

4. Approve minutes from the meeting held on September 17, 2013.

Chairman Rossi called for questions or comments on the minutes. Hearing none, he entertained a motion to approve this consent item. Mr. Annis moved to approve the minutes and Mr. Luchetti seconded the motion. The Board members in attendance unanimously approved the minutes.

Action Item:

5. Resolution No. 13-16 authorizing and directing certain actions with respect to a short-term financing for the benefit of the California State Department of Public Health.

Ms. Muñoz presented a staff report on a short term loan from the I-Bank to the California Department of Public Health (CDPH) for their Safe Drinking Water State Revolving Fund. CDPH has asked the I-Bank to assist with qualifying its cash on hand as state matching funds for the purpose of receiving federal grants.

Ms. Munoz explained that a large part of the Safe Drinking Water SRF is funded with federal grant money which is used to make loans to municipalities for water systems throughout California. The loans are repaid with interest to CDPH. As a condition of the receipt of the federal grant money, states are required to provide a certain amount of state matching funds.

Further, the United State Environmental Protection Agency (USEPA) administers the federal grants and oversight of the state revolving funds. Regulations adopted by the USEPA state that the interest portion of the repayment by the municipal borrowers are not an eligible source of state matching funds. This said, proceeds of indebtedness are eligible sources of state matching funds. CDPH proposes to repay the indebtedness to the I-Bank using the interest portion of the loan repayments, making the CDPH cash on hand an eligible source for state matching funds. USEPA has approved the use of this transaction for California's state matching fund requirement. This transaction will enable California to receive federal safe drinking water capitalization grants that it would not receive otherwise.

Discussion

Chairman Rossi requested that future short term financings to CDPH for purposes of qualifying its cash on hand as state matching funds for the purpose of receiving federal grants for their Safe Drinking Water State Revolving Fund be treated as an approved line of credit under the Master Agreement. Ms. Barnes agreed to proceed with CDPH in that manner and agreed to report to the I-Bank Board the financing terms of any future financings under the Master Agreement. Chairman Rossi proposed, for efficiency, for staff to amend the Master Agreement and the associated Board resolution to treat the short-term financings as draws on a line of credit available under the Master Agreement. Mr. Rossi further proposed that such draws would not require prior Board approval and, that, instead, a notification to the Board of the terms of each draw utilized would suffice.

Chairman Rossi called for any questions or comments from the Board or the public. Hearing none, he entertained a motion to approve Resolution No. 13-16. There was a motion to approve the resolution and Ms. Ortega seconded the motion. The Board members in attendance unanimously approved the resolution.

6. Resolution No. 13-17 approving the amended and restated ISRF Criteria to provide a streamlined and transparent process for selecting infrastructure projects for financing.

Ms. Barnes presented a staff report requesting the Board's approval to amend and restate the existing Criteria, Priorities and Guidelines for the Infrastructure State Revolving Fund Program (ISRF) to provide a streamlined and transparent process to select infrastructure projects for financing.

Discussion

Mr. Fowler identified three issues for discussion:

- a) Proposed Criteria would permit refinancing of existing debt (STO believes there is a need for new infrastructure projects rather than using the limited funds of I-Bank to refinance projects that have already been completed)
- b) The proposed Criteria changes the statutory definition of various categories of public development facilities. STO believes only the Legislature can change those definitions, but would be agreeable to a proposal to add examples of projects not specifically mentioned in statute that constitute the Board's reasonable interpretation and clarification of the existing statutory definition.
- c) The Proposed Criteria should specify the methodology for determining how ISRF loan interest rates to borrowers will be established.

Response

- a) The Executive Directive agreed to remove the proposed refinancing provision from the proposed criteria, with the understanding that the I-Bank could consider an application for refinancing if 1) the I-Bank has determined that there is a viable new project associated with the refinancing, 2) the cost savings resulting from the refinancing would assist in facilitating the new project and 3) the I-Bank participates in the financing of the proposed new project.

- b) The list of historical eligible categories of infrastructure projects will remain and examples will be added to provide further clarification of eligible projects.
- c) The I-Bank staff will develop an interest rate chart and methodology for determining interest rates and present such to the Board in the next 60 days.

Chairman Rossi called for any questions or comments from the Board or the public. Hearing none, he entertained a motion to approve Resolution No. 13-17. There was a motion to approve the resolution and Mr. Fowler seconded the motion. The Board members in attendance unanimously approved the resolution.

Reporting/Non-Action Item:

7. I-Bank Monthly Investment Transaction Report for Month Ending September 30, 2013.

Chairman Rossi called for any comment from the Board members or the public on this item; there was none.

8. I-Bank Quarterly Investment Report for Quarter Ending September 30, 2013.

Chairman Rossi called for any comment from the Board members or the public on this item; there was none.

9. Presentation of the Comprehensive Annual Financial Report for the fiscal year ended June 30, 2013, and the related auditor's letter to the Board.

Chairman Rossi called for any comment from the Board members or the public on this item; there was none.

Discussion Items.

Chairman Rossi called for any other business. Ms. Munoz gave a brief summary of the Small Business Financial Assistance Act (the "Act"), the newly enacted legislation that transferred the Small Business Loan Guarantee Program ("SBLGP") under the I-Bank. Ms. Munoz explained that, under the Act, members of the I-Bank Board of Directors, along with other officers and employees of the I-Bank are required to observe restrictions relating to conflicts of interest in their dealings with the Financial Development Corporations that administer the SBLGP. Ms. Munoz then directed the attention of the Board members to a handout being given to them that provides additional information on the conflict of interest restrictions of the Act.

Public Comment.

Chairman Rossi called for any public comment; there was none.

Adjournment.

Chairman Rossi declared the meeting adjourned at approximately 3:50 p.m.